

**REPORT OF THE AUDIT OF THE
TODD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TODD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Todd County Fiscal Court audit for Fiscal Year Ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$375,300 from the beginning of the year, resulting in a cash surplus of \$380,422 as of June 30, 2001.

Debt Obligations:

Capital lease principal agreements totaled \$101,000 as of June 30, 2001. Future principal and interest payments of \$124,773 are needed to meet these obligations.

Report Comments:

- The Fiscal Court Should Adopt An Administrative Code
- The Todd County Jail Personnel Costs Show An Excess Of Overtime Paid
- The County Jailer's Bond Is Insufficient
- Expenditures Should Not Exceed Budgeted Amounts

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive

Members of the Todd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Todd County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Todd County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Todd County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Todd County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive
Members of the Todd County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2002 on our consideration of Todd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Todd County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Fiscal Court Should Adopt An Administrative Code
- The Todd County Jail Personnel Costs Show An Excess Of Overtime Paid
- The County Jailer's Bond Is Insufficient
- Expenditures Should Not Exceed Budgeted Amounts

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 27, 2002

TODD COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Cecil S. Mallory, Jr.	County Judge/Executive
Boone Thornhill	Magistrate
John F. Groves	Magistrate
Roy Addison, Jr.	Magistrate
Carl Templeman	Magistrate
James Turner, Jr.	Magistrate

Other Elected Officials:

Harold M. Johns	County Attorney
Boone Stokes	Jailer
Billy Fowler	County Clerk
Mark Cowherd	Circuit Court Clerk
Betty Orr	Sheriff
Virgil Monroe	Property Valuation Administrator
Jimmy Shemwell	Coroner

Appointed Personnel:

Georgia Stanford	County Treasurer
Lena Mallory	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

TODD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

For The Fiscal Year Ended June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 115,776	
Road and Bridge Fund:		
Cash	175,311	
Local Government Economic Assistance Fund:		
Cash	7,812	
Ambulance Service Fund:		
Cash	24,873	
Timberland Tax Fund:		
Cash	<u>3,134</u>	\$ 326,906

Special Revenue Fund Type

Dispatch Fund:

Cash	53,516
------	--------

Other Resources

General Fund Type

Road Fund:

Amounts to be Provided in Future Years for Lease	
Principal Payments (Note 4)	11,000
Jail Fund:	
Amounts to be Provided in Future Years for Jail	
Lease Principal Payments (Note 4)	<u>90,000</u>

Total Assets and Other Resources	<u><u>\$ 481,422</u></u>
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The accompanying notes are an integral part of the financial statements.

TODD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 For The Fiscal Year Ended June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

Road Fund:		
Lease Principal Payments (Note 4)	\$	11,000
Jail Fund:		
Lease Principal Payments (Note 4)		90,000

Fund Balances

Unreserved:

General Fund Type

General Fund	\$	115,776	
Road and Bridge Fund		175,311	
Local Government Economic Assistance Fund		7,812	
Ambulance Service Fund		24,873	
Timberland Tax Fund		<u>3,134</u>	326,906

Special Revenue Fund Type

Dispatch Fund		<u>53,516</u>	
Total Liabilities and Fund Balances	\$	<u><u>481,422</u></u>	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

TODD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	<u>General Fund Type</u>			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,182,846	\$ 542,031	\$ 1,158,798	\$ 146,146
Transfers In	613,099	131,533		334,019
Kentucky Advance Revenue Program	327,500	203,400	124,100	
Timberland Tax Revenue	1,370			
Total Cash Receipts	<u>\$ 3,124,815</u>	<u>\$ 876,964</u>	<u>\$ 1,282,898</u>	<u>\$ 480,165</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,542,062	\$ 378,403	\$ 1,207,443	\$ 474,165
Transfers Out	613,099	481,566	131,533	
Timberland Tax Expenditures	1,454			
Leases Principal Payments	16,000		10,000	6,000
Kentucky Advance Revenue Program Repaid	327,500	203,400	124,100	
Total Cash Disbursements	<u>\$ 3,500,115</u>	<u>\$ 1,063,369</u>	<u>\$ 1,473,076</u>	<u>\$ 480,165</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (375,300)	\$ (186,405)	\$ (190,178)	\$
Cash Balance - July 1, 2000	<u>755,722</u>	<u>302,181</u>	<u>365,489</u>	
Cash Balance - June 30, 2001	<u>\$ 380,422</u>	<u>\$ 115,776</u>	<u>\$ 175,311</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

General Fund Type				Special Revenue Fund Type
Local Government Economic Assistance Fund	Ambulance Service Fund	Solid Waste Fund	Timberland Tax Fund	Dispatch Fund
\$ 13,730	\$ 139,022 88,000	\$ 73,100 59,547	\$	\$ 110,019
			1,370	
<u>\$ 13,730</u>	<u>\$ 227,022</u>	<u>\$ 132,647</u>	<u>\$ 1,370</u>	<u>\$ 110,019</u>
 \$ 13,561	 \$ 227,077	 \$ 132,647	 \$	 \$ 108,766
			1,454	
<u>\$ 13,561</u>	<u>\$ 227,077</u>	<u>\$ 132,647</u>	<u>\$ 1,454</u>	<u>\$ 108,766</u>
 \$ 169 7,643	 \$ (55) 24,928	 \$	 \$ (84) 3,218	 \$ 1,253 52,263
<u>\$ 7,812</u>	<u>\$ 24,873</u>	<u>\$ 0</u>	<u>\$ 3,134</u>	<u>\$ 53,516</u>

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Todd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Todd County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Todd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Todd County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Todd County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Ambulance Fund, Solid Waste Fund, and Timberland Tax Fund.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Dispatch Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Todd County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Todd County Water District is considered a related organization of Todd County Fiscal Court.

G. Jointly Governed Organization

A legal entity or other organization that results from a contractual agreement and that is governed by two or more participants as a separate activity subject to joint control, in which the participants retain no (a) ongoing financial interest or (b) ongoing financial responsibility is a jointly governed organization. The Todd County Fiscal Court, in conjunction with City of Elkton, has created the Elkton-Todd County Airport Board. The Elkton-Todd County Airport Board is composed of six members appointed by the county and the city. Each government appoints three members. The county appropriated \$1,500 for the Elkton-Todd County Airport Board during fiscal year 2001.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Long-Term Debt

The county entered into a capital lease with the Kentucky Association of Counties Leasing Trust for construction on the Todd County Jail. The lease agreement requires monthly interest payments and a semi-annual principal payment on January 20 of each year through 2011.

The county refinanced this capital lease agreement on May 7, 2001 at a lower interest rate of 4.596%. The total principal balance of the lease agreement is \$90,000 as of June 30, 2001. Remaining capital lease requirements are:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 8,000	\$ 4,187
2003	8,000	3,801
2004	8,000	3,414
2005	8,000	3,028
2006	9,000	2,621
2007-2011	<u>49,000</u>	<u>6,358</u>
Totals	<u>\$ 90,000</u>	<u>\$ 23,409</u>

The county entered into a lease-purchase agreement with the Kentucky Association of Counties Leasing Trust for a tool carrier for the road department in 1996. The lease agreement requires monthly interest payments and a semi-annual principal payment on January 20 of each year through 2002. The total principal balance of the lease agreement is \$11,000 as of June 30, 2001. Remaining capital lease requirements are:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2002	<u>11,000</u>	<u>364</u>
Totals	<u>11,000</u>	<u>364</u>

Note 5. Insurance

For the Fiscal Year Ended June 30, 2001, Todd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

TODD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 465,600	\$ 542,031	\$ 76,431
Road and Bridge Fund	1,052,000	1,158,798	106,798
Jail Fund	153,987	146,146	(7,841)
Local Government Economic Assistance Fund	10,000	13,730	3,730
Ambulance Fund	140,000	139,022	(978)
Solid Waste Fund	60,000	73,100	13,100
<u>Special Revenue Fund Type</u>			
Dispatch Fund	<u>112,500</u>	<u>110,019</u>	<u>(2,481)</u>
Totals	<u>\$ 1,994,087</u>	<u>\$ 2,182,846</u>	<u>\$ 188,759</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,994,087
Add: Budgeted Prior Year Surplus			679,170
Less: Other Financing Uses			<u>(16,000)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,689,257</u>

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SCHEDULE OF OPERATING REVENUE

TODD COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	Totals (Memorandum Only)	GOVERNMENTAL FUND TYPES	
		General Fund Type	Special Revenue Fund Type
Taxes	\$ 423,076	\$ 334,357	\$ 88,719
In Lieu Tax Payments	103,945	103,945	
Excess Fees	17,403	17,403	
Licenses and Permits	354	354	
Intergovernmental Revenues	1,312,414	1,312,414	
Charges for Services	240,427	219,127	21,300
Miscellaneous Revenues	21,470	21,470	
Interest Earned	63,757	63,757	
Total Operating Revenue	<u>\$ 2,182,846</u>	<u>\$ 2,072,827</u>	<u>\$ 110,019</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

TODD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 291,778	\$ 283,881	\$ 7,897
Protection to Persons and Property	635,280	634,478	802
General Health and Sanitation	146,200	136,340	9,860
Social Services	4,400	4,093	307
Recreation and Culture	4,000	4,000	
Roads	1,215,441	1,157,409	58,032
Debt Service	6,329	6,098	231
Administration	236,829	206,997	29,832
Total Operating Budget - All General Fund Type	\$ 2,540,257	\$ 2,433,296	\$ 106,961
Other Financing Uses:			
Borrowed Money-			
Kentucky Advanced Revenue			
Program - Principal	327,500	327,500	
Lease Agreements-			
Principal on Leases	16,000	16,000	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 2,883,757</u>	<u>\$ 2,776,796</u>	<u>\$ 106,961</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 106,599	\$ 99,958	\$ 6,641
Administration	10,401	8,808	1,593
Total Operating Budget - Special Revenue Fund Type	\$ 117,000	\$ 108,766	\$ 8,234
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 117,000</u>	<u>\$ 108,766</u>	<u>\$ 8,234</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Cecil S. Mallory, Jr., Todd County Judge/Executive

Members of the Todd County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Todd County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 27, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Todd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations section.

- The Fiscal Court Should Adopt An Administrative Code
- The Todd County Jail Personnel Costs Show An Excess Of Overtime Paid
- The County Jailer's Bond Is Insufficient
- Expenditures Should Not Exceed Budgeted Amounts

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Todd County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 27, 2002

COMMENTS AND RECOMMENDATIONS

TODD COUNTY
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2001

NONCOMPLIANCES

1) The Fiscal Court Should Adopt An Administrative Code

During our audit, we noted that the fiscal court has not adopted an administrative code as required by KRS 68.005. KRS 68.005 requires the fiscal court to adopt an administrative code, which includes, but is not limited to, procedures and designation of responsibility for:

- a) General administration of the office of the county judge/executive, county administrative agencies, and public authorities.
- b) Administration of county fiscal affairs, including budget formulation, receipt and disbursement of county funds, and preparation of records required for the county audits, and filing of claims against the county.
- c) Personnel administration, including description and classification of non-elected positions, selection, assignment, supervision, and discipline of employees, employee complaints and the county's affirmative action program.
- d) County purchasing and award of contracts;
- e) Delivery of county services.

We recommend that the fiscal court comply with this statute.

County Judge/Executive Cecil S. Mallory's Response:

None.

2) The Todd County Jail Personnel Costs Show An Excess Of Overtime Paid

During the course of the audit, we noted that one deputy jailer was compensated for a large amount of overtime hours each pay period for fiscal year ended June 30, 2001. This deputy jailer was paid for 2,000 hours of regular time and 2,078 hours of overtime during a 12-month period. There were four instances where the deputy jailer signed his own time report. The amount of money spent by the county for the overtime paid would cover the expense of hiring an additional deputy. To pay a deputy for 2,078 hours of overtime, instead of hiring additional jail personnel is not a prudent use of county funds. We recommend the fiscal court hire an additional deputy to meet the staffing needs of the jail. We also recommend that the Jailer sign all time reports.

County Judge/Executive Cecil S. Mallory's Response:

None.

3) The County Jailer's Bond Is Insufficient

During testing of county official bonds, we noted that the jailer's bond was insufficient. KRS 71.010 requires the jailer to have a minimum bond of \$10,000. We recommend the county increase the jailer's bond to \$10,000 to be in compliance with KRS 71.010.

County Judge/Executive Cecil S. Mallory's Response:

We will increase this.

TODD COUNTY
COMMENTS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2001
(Continued)

NONCOMPLIANCES (Continued)

4) Expenditures Should Not Exceed Budgeted Amounts

During the testing of budget related items, we noted that the jail fund spent \$80,165 more than was budgeted. The jail budget was not amended to include the additional expenditures. KRS 68.300 states that any appropriation made or claim allowed by the fiscal court in excess of the budget fund, and any warrant or contract not within the budget appropriation shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. We recommend the fiscal court limit jail expenditures to budgeted amounts or utilize budget amendments to be in compliance with KRS 68.300.

County Judge/Executive Cecil S. Mallory's Response:

None.

PRIOR YEAR FINDINGS

All of the aforementioned comments and recommendations with exception of number 4 were in existence in the prior year.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TODD COUNTY FISCAL COURT

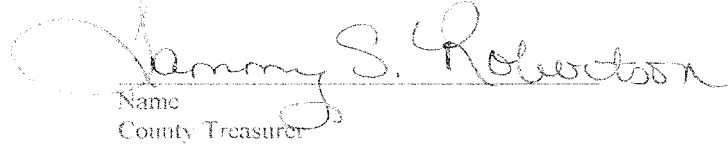
For The Fiscal Year Ended June 30, 2001

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
TODD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Todd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name
County Judge/Executive


Name
County Treasurer

